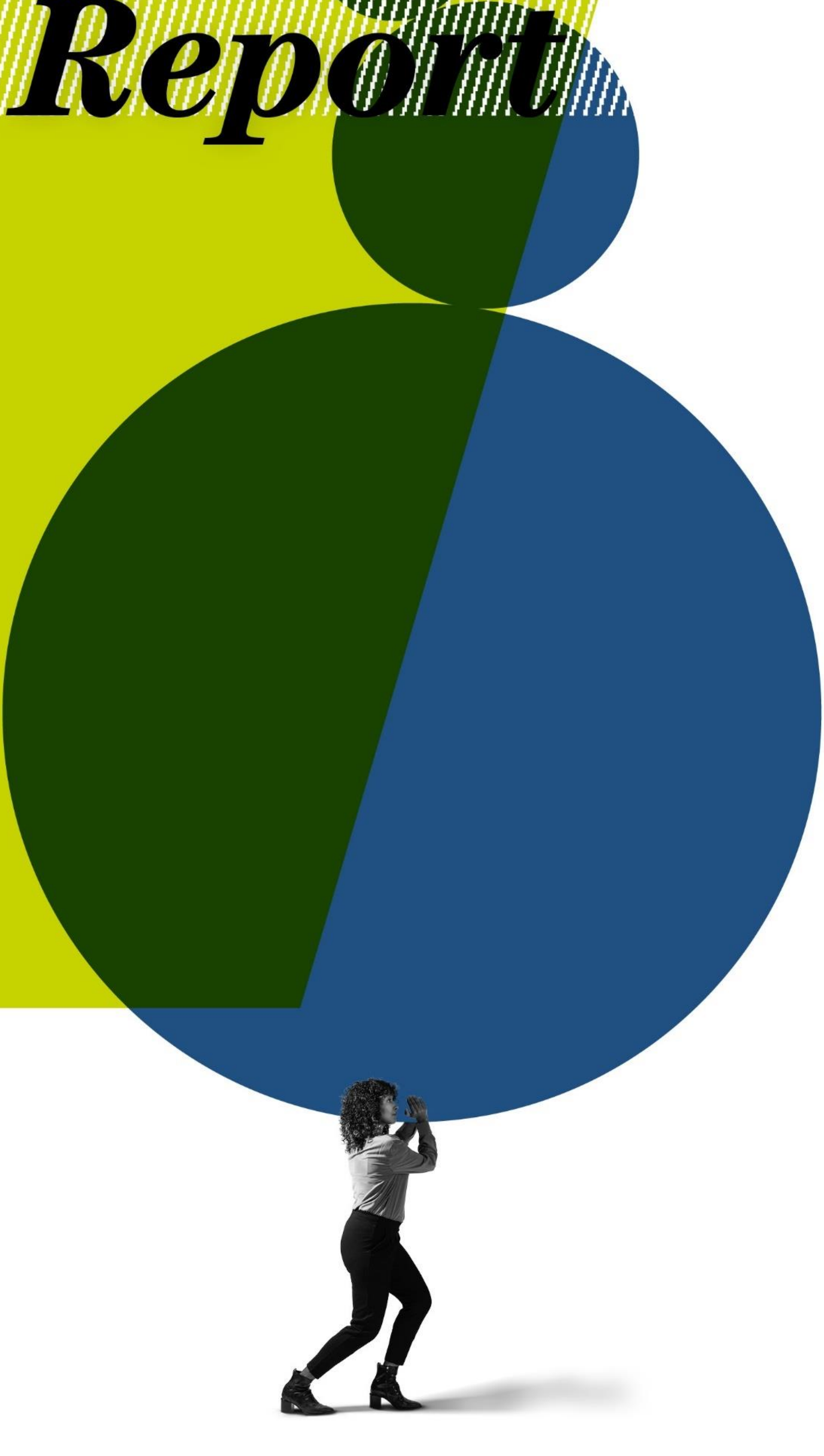
Financial Condition Report

2023

Local GAAP format
(Swiss Code of Obligations and
FINMA circular 2016/2)



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Executive summary

As in previous years, NewRe focused on its four established areas of business. NewRe is a professional Property and casualty reinsurance company and at the same time, supported by its Capital Partners unit, a leading underwriter of structured reinsurance solutions and, via its Weather & Agro business unit, an active reinsurer in the fields of insurance derivatives and parametric trigger covers. The company also specialises in variable annuity reinsurance, capital management solutions for Life business and also traditional Life business.
Overall, NewRe experienced a year with several severe events resulting in a loss of EUR - 185 m, compared to the previous year's figure of EUR 170 m.

NewRe's solvency situation according to the principles of the Swiss Solvency Test (SST) is very comfortable and has risen from previous year's 182% to 233%. This increase is primarily due to the increase in risk bearing capital, which was mainly caused by the more favourable economic environment, a capital injection in connection with financing transactions and a new large life transaction with considerable embedded profits. This increase on the available capital side exceeds the increase on the risk capital side, which explains the overall increase in the SST ratio

As regards statutory equity capital, the goal of NewRe's capital planning is stable and solid capitalisation. In the event that growth is above expectation further capital injections are possible.
The statutory equity is deemed sufficient for the current portfolio.
The local GAAP annual result for 2023 was negative. Hence, NewRe intends not to pay a dividend.
To be able to absorb the inherent volatility of the business, NewRe aims for a diversified business mix and has built a buffer of both free reserves and retained earnings, as well as equalisation reserves in the technical and non-technical provisions.

Our strategy foresees steady growth for all strategic pillars and an increase in earnings from all business segments, as well as continuously growing dividends for our shareholder. This strategy is based on continued strong development of our Life portfolio, further growth and diversification of our Weather book and stable to slightly increasing Non-life business across Europe.

A. NewRe business activities

For information on NewRe business activities, Board of Management, Board of Directors, shareholder information, Rating, Auditor, Management report and risk-assessment- addendum to the management report, please refer to the Annual report.

Branch offices

NewRe does not maintain any branch offices.

B. Financial performance

a) Financial statements

For information on NewRe Financial statements and notes to the Financial statements please refer to the Annual report.

b) Additional information – “Performance Solo Reinsurance”

Financial situation report: quantitative template "Performance Solo Reinsurance"

Currency: EUR or annual report currency
Amounts stated in millions

		Total		Personal accident		Health		Motor		Marine, aviation, transport	
		2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
1	Gross premiums	4’758	6’275	7	22	0	1	741	1’302	8	8
2	Reinsurers' share of gross premiums	-994	-706	0	-7	0	-1	0	-5	1	0
3	Premiums for own account (1 + 2)	3’764	5’569	7	15	0	0	741	1’297	9	8
4	Change in unearned premium reserves	-347	11	-4	-4	0	0	-59	-100	-3	1
5	Reinsurers' share of change in unearned premium reserves	35	-35	0	3	0	0	0	0	0	0
6	Premiums earned for own account (3 + 4 + 5)	3’452	5’546	3	13	0	0	682	1’197	6	9
7	Other income from insurance business	430	487	0	1	0	0	3	38	0	0
8	**Total income from underwriting business (6 + 7)**	**3’882**	**6’033**	**3**	**14**	**0**	**0**	**685**	**1’235**	**6**	**9**
9	Payments for insurance claims (gross)	-3’006	-5’729	23	-8	0	0	276	-1’071	1	-6
10	Reinsurers' share of payments for insurance claims	620	50	0	-20	0	0	0	-313	0	0
11	Change in technical provisions	-836	252	-25	-1	0	0	-702	80	-4	1
12	Reinsurers' share of change in technical provisions	233	567	0	21	0	0	0	304	0	1
13	Change in technical provisions for unit-linked life insurance	0	0	0	0	0	0	0	0	0	0
14	**Expenses for insurance claims for own account (9 + 10 + 11 + 12 + 13)**	**-2’989**	**-4’860**	**-2**	**-8**	**0**	**0**	**-425**	**-1’000**	**-3**	**-4**
15	Acquisition and administration expenses	-852	-1’322	0	-5	0	0	-291	-300	-1	-3
16	Reinsurers' share of acquisition and administration expenses	112	33	0	2	0	0	0	-11	0	0
17	Acquisition and administration expenses for own account (15 + 16)	-740	-1’290	0	-3	0	0	-291	-311	-1	-3
18	Other underwriting expenses for own account	-2	-79	0	-1	0	0	-2	-38	0	0
19	**Total expenses from underwriting business (14 + 17 + 18) (non-life insurance only)**	**-3’731**	**-6’228**	**-2**	**-11**	**0**	**0**	**-718**	**-1’348**	**-4**	**-8**
20	Investment income	12	78								
21	Investment expenses	-81	-91								
22	**Net investment income (20 + 21)**	**-69**	**-13**								
23	Capital and interest income from unit-linked life insurance	0	0								
24	Other financial income	2757	1792								
25	Other financial expenses	-2637	-1679								
26	**Operating result (8 + 14 + 17 + 18 + 22 + 23 + 24 + 25)**	**202**	**-96**								
27	Interest expenses for interest-bearing liabilities	-3	-18								
28	Other income	13	40								
29	Other expenses	-15	-105								
30	Extraordinary income/expenses	0	0								
31	**Profit / loss before taxes (26 + 27 + 28 + 29 + 30)**	**197**	**-179**								
32	Direct taxes	-26	-6								
33	**Profit / loss (31 + 32)**	**170**	**-185**								

Continued:

Financial situation report: quantitative template "Performance Solo Reinsurance"

Currency: EUR or annual report currency
Amounts stated in millions

		Total		Property		Casualty		Miscellaneous	
		2022	2023	2022	2023	2022	2023	2022	2023
1	Gross premiums	4'758	6'275	257	357	100	131	3'644	4'454
2	Reinsurers' share of gross premiums	-994	-706	-79	-68	0	-1	-915	-624
3	Premiums for own account (1 + 2)	3'764	5'569	178	289	100	130	2'729	3'830
4	Change in unearned premium reserves	-347	11	-5	16	-44	5	-232	94
5	Reinsurers' share of change in unearned premium reserves	35	-35	-7	-18	0	0	42	-20
6	Premiums earned for own account (3 + 4 + 5)	3'452	5'546	166	287	56	136	2'538	3'904
7	Other income from insurance business	430	487	2	4	0	3	426	440
8	**Total income from underwriting business (6 + 7)**	**3'882**	**6'033**	**168**	**292**	**56**	**139**	**2'964**	**4'344**
9	Payments for insurance claims (gross)	-3'006	-5'729	-145	-266	92	-57	-3'252	-4'321
10	Reinsurers' share of payments for insurance claims	620	50	73	-6	0	-85	547	474
11	Change in technical provisions	-836	252	-20	-115	-132	-35	46	322
12	Reinsurers' share of change in technical provisions	233	567	4	18	0	82	230	141
13	Change in technical provisions for unit-linked life insurance	0	0	0	0	0	0	0	0
14	**Expenses for insurance claims for own account (9 + 10 + 11 + 12 + 13)**	**-2'989**	**-4'860**	**-89**	**-369**	**-40**	**-95**	**-2'429**	**-3'384**
15	Acquisition and administration expenses	-852	-1'322	-50	-72	-11	-33	-500	-909
16	Reinsurers' share of acquisition and administration expenses	112	33	26	23	0	-1	87	19
17	Acquisition and administration expenses for own account (15 + 16)	-740	-1'290	-24	-49	-11	-34	-413	-890
18	Other underwriting expenses for own account	-2	-79	0	-3	0	-4	0	-33
19	**Total expenses from underwriting business (14 + 17 + 18) (non-life insurance only)**	**-3'731**	**-6'228**	**-113**	**-421**	**-51**	**-133**	**-2'842**	**-4'307**
20	Investment income	12	78						
21	Investment expenses	-81	-91						
22	**Net investment income (20 + 21)**	**-69**	**-13**						
23	Capital and interest income from unit-linked life insurance	0	0						
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33	**Profit / loss (31 + 32)**	**170**	**-185**						

Life reinsurance business represents a significant portion of NewRe's business portfolio. In the Financial statements, technical accounts are provided separately for Non-life and Life reinsurance business. Following the line-of-business structure provided for in the "Performance Solo Reinsurance" template, Life reinsurance business is reported as "Miscellaneous". Life represents by far the greater portion of business in the "Miscellaneous" category, with any other business being minor in comparison.
"Investment income" and "Investment expenses" are reported in lines 20 and 21 and with lower granularity than shown in the income statement. Line 20 "Investment income" shows the "Investment result excluding interest on technical provisions" as reported in the income statement but before investment expenses. Line 21 "Investment expenses" includes the two income statement items "Investment expenses" and "Administration costs – investments", which are reported separately in the income statement.

Comments on quantitative template "Performance Solo Reinsurance"

Premium income

Three of NewRe's four business segments, Property & Casualty, Capital Partners and Life, write business that predominantly takes the form of reinsurance contracts with a premium income and a technical result, while the Weather & Agro business is recorded as derivative instrument. Premium income from reinsurance contracts grew from EUR 4,758 m to EUR 6,275 m.
The Property & Casualty unit focuses on its core lines of reinsurance business, which means that business volume in personal accident, health, and marine, aviation and transport continues to be relatively low, whereas Casualty, especially motor, and Property represent the core business lines. Motor, Property and other Casualty reinsurance consist largely of structured quota share treaties with significant premium volumes per treaty. Life reinsurance business is recorded as "Miscellaneous", following the

line-of-business structure provided for in the “Performance Solo Reinsurance” template. The increase in premium income from EUR 4,758 m to EUR 6,275 m was mainly due to the US Non-Life business and growth in the US Life business.

Technical result (8+19)
The technical result was EUR -196 m, down from EUR 151 m in the previous year. The lower overall technical result was heavily burdened by the European P&C business where losses from earthquake Turkey and floods in Europe as well as high inflation burdening the UK motor business, stressed the result. Furthermore, we strengthened the fluctuation reserve in Non-life to keep up with growth, increased IBNR in the US Life mortality business and bought a retro protection for the US Non-Life business.

Net investment income
The investment expenses are mainly composed of service fees for Life and Weather business, while investment income is dominated by returns from NewRe’s bond portfolio. Growth, especially in Life, led to growing service fees while higher interests rates increased the return on the bond portfolio.

Other financial income and expenses
Other financial income and expenses are driven by derivative financial instruments used in two of NewRe's business segments. In the Life reinsurance segment, we write and hedge products that transfer financial market guarantees such as variable annuity and unit-linked guarantees. Derivatives are also used in the Weather & Agro business segment for products offering clients tailor-made solutions to minimise weather-related risk. The slightly lower result in 2023 compared to 2022 was the result of lower profits in the Weather business in 2023, which were partially offset by positive results from currency hedges on the Life business.

Other income and expenses
A large component of other income and expenses is foreign exchange gains and losses which are partially offset by currency hedges. The offsetting gains and losses from currency hedge transactions are recorded as part of the other financial income and expenses. The decrease in other income and expenses is mainly due to foreign exchange losses. In addition, the growth in Life financing business led to higher expenses while higher interest rates led to an increase in other income.

Profit/loss
The Profit/loss was driven by the technical result as described above.

C. Corporate governance and risk management

a) Corporate governance

The Board of Directors of NewRe has overall responsibility for the Company and for the supervision and control of the Board of Management. The duties of the Board of Directors are defined in the articles of association and in the organisational regulations of NewRe.

To ensure that appropriate attention is paid to the relevant topics, the Board of Directors has set up an Audit and Risk Committee.

The CEO is the Chairperson of the Board of Management and, together with the other members of the Board of Management, is responsible for the successful management of the Company. The Board of Management has decision-making authority on matters relating to business assigned to it. The Board of Management involves key employees in the decision-making as required.

The composition of the Board of Directors and the Board of Management is shown in NewRe's Annual Report.

b) Key control functions

The key control functions of NewRe are Risk Management, Compliance and Internal Audit.

NewRe's Chief Risk Officer (CRO), who heads the Risk Management Department, has a functional reporting line to the Group CRO and has direct access to the Chairperson of the Audit and Risk Committee.

NewRe's Head of Legal & Compliance (L&C) has a reporting line to the Chairperson of the Audit and Risk Committee and Munich Re Group Compliance & Legal. L&C performs an independent assessment of NewRe's key compliance risks and presents this assessment to the Board of Directors.

The Internal Audit function is outsourced to the Munich Re Group's internal audit function. The focus and schedule of internal audits at NewRe are determined by the Board of Directors via its respective committee. The audits themselves are carried out by the Munich Re Group's internal audit function.

c) Risk management

Organisational structure and governance
As a core company of the Munich Re Group, NewRe is fully integrated into the Group's risk management in terms of organisation, processes and policies. The local framework is designed to be fully compliant with Swiss regulatory requirements in general and the requirements of the Swiss Solvency Test (SST) and the Own Risk and Solvency Assessment (ORSA) in particular. At the same time, all requirements for NewRe with regard to the Munich Re Group's Solvency II compliance are met.

NewRe's risk governance policy ensures that an appropriate risk and control framework is in place. The roles and responsibilities of the various management bodies, functions and individuals are clearly defined for all material risks. For example, the Board of Management must consult the risk management function prior to any important decision that affects NewRe's risk profile.

Risk-relevant issues for the Board of Directors are referred to the Audit and Risk Committee before being presented to the Board of Directors.

There were no significant changes in risk management in 2023.

Risk strategy
NewRe's risk strategy is embedded in the Munich Re Group's risk strategy, including a system of risk criteria, limits and triggers that are relevant from the Group's perspective. While certain risks are acceptable from the Group's perspective, they may be considered undesirable from NewRe's perspective. Therefore, NewRe sets its own risk tolerance and has a local limit system in place to ensure that the risks taken by NewRe remain within the defined risk-bearing capacity and operational capacity of the Company. NewRe's risk criteria are based on those of the Group and are adapted to local conditions:

Whole portfolio criteria
The whole portfolio criteria relate to the entire portfolio of risks. Their purpose is to protect NewRe's financial strength with regard to SST – see the relevant table in Section G.b)

Additional criteria
The additional criteria relate to individual systematic risks to which NewRe is exposed. Their purpose is to limit the losses per individual risk and thereby reduce the accumulation risk.

The risk strategy is firmly embedded in the annual planning cycle and thus aligned with the business strategy. The risk strategy is closely linked to the Company's own risk and solvency assessment (ORSA), in which the Company's current and future risks and the resulting capital requirements are continuously analysed and evaluated.

d) Control and monitoring systems

Operational risks are inherent in all business activities and processes. An operational risk is the risk of losses arising from inadequate or failed internal processes, personnel or systems, or from external events. It includes legal and compliance risks, but excludes strategic risk.

NewRe's internal control system (ICS) is embedded into Munich Re's operational risk control system process and supports the effective management of operational risks and their respective key controls. It creates transparency about those operational risks that might have a significant negative impact on NewRe's reputation and/or financial situation.

A key ingredient of the ICS is the regular self-assessment of operational risks and controls by the process owners. The self-assessments begin with the identification of the relevant processes in the entire area of responsibility. This is followed by an assessment of the process-related operational risks and the corresponding key controls for each of these risks. A tolerance statement must be made for each material risk (i.e. accept/mitigate) based on the process owner's risk tolerance. Where appropriate, risk mitigation measures (e.g. through process change, additional controls, improvement of controls) must be defined.

D. Risk profile

The risks that are quantified applying NewRe's partial internal model include insurance risks, market risks and credit risks. The insurance risks in turn consist of Property and Casualty (P&C) risks, accumulation risks, Life and Health (L&H) risks and risks from variable annuity transactions (Market Risk Transfer - MRT). The table below shows the stand-alone one-year capital requirements for these risk categories based on the SST risk measure (99% Tail Value-at-Risk) together with their diversification effect and the Other effects item, which consists of the expected income for new business written in 2024.

Composition of the Target Capital (in EUR m)	2022	2023
Property & Casualty	404	475
Accumulation	737	747
Life & Health	601	876
Market risk transfer	133	137
Market	321	604
Credit	450	501
Diversification	-1,187	-1,452
Other effects	-58	-85
Target capital	**1,400**	**1,802**

The revised Insurance Supervision Ordinance, which came into force on 01.01.2024, changes the definitions for the target capital (TC) and the risk-bearing capital (RBC). The reason for this is that the market value margin (MVM) is now reported as a balance sheet item on the liabilities side of the SST balance sheet. The figures in the table above are shown according to the definitions of RBC and TC as per the revised Insurance Supervision Ordinance. This also applies in particular to the figures in the column with the header "2022", where – analogous to the column headed "2023" – the MVM is no longer part of the TC.

Note that the solvency ratio is not affected by this change in the display of the MVM.

a) Insurance risk

Property & Casualty

Property & Casualty (P&C) risk is defined as the risk of insured losses being higher than expected, and consists of the premium and the reserve risks. The premium risk is the risk of claims payments for losses that have not yet occurred being higher than expected. The reserve risk, on the other hand, is the risk that the technical provisions formed for losses that have already occurred are not sufficient. NewRe's P&C business comprises the business lines property, motor, third-party liability, personal accident and marine. It also includes the risk associated with weather derivative business. This presentation differs from the accounting perspective, in which weather derivatives are classified as financial derivatives.

To model the P&C risk, the business is assigned to at least one of four modules with different characteristics, all of which are modelled separately before being aggregated to obtain the overall P&C loss distribution. These four modules are basic losses, large losses, customised solutions and weather derivatives business, see Section G.a).

P&C risk has increased compared to the previous year primarily due to business growth.

Accumulation
NewRe's accumulation risk includes a range of natural catastrophe scenarios (NatCat scenarios) and other accumulation scenarios that model the losses of cyber or terror events, for example. In this context, a NatCat scenario is defined as a combination of a specific hazard (e.g., hurricane, earthquake, flood) and a specific region (e.g., Europe, Japan, Australia). An accumulation scenario includes all relevant risks or coverages that could be triggered by the occurrence of such an event.

The accumulation risk continues to be dominated by the two scenarios Storm Europe and Earthquake Switzerland/Germany, as shown in Section f). NewRe's exposure in Europe remained largely stable compared to last year. The resulting accumulation risk is partially offset by a CatXL retrocession agreement with NewRe's parent company Munich Re.

Life & Health
Life & Health or Life underwriting risk is generally defined as the risk of insured benefits being higher than expected. For NewRe, the main cause of this risk is higher-than-expected mortality. Unexpected changes in policyholder behaviour, in particular lapse rates, can also have a negative impact.

NewRe's Life risk model captures the risk that events can have a short-term or long-term impact on the portfolio. A pandemic, in which mortality rates rise very sharply within a short period of time, is an example of an event that falls into the category of events with a short-term impact. In contrast, events with trend deviations and corresponding adverse effects on profitability belong to the category of events with long-term effects.

NewRe's Life risk increased significantly during 2023 driven by a large new US mortality transaction. Further increases were due to new mass lapse and US structured transactions.

Market risk transfer (MRT)
In addition to traditional Life insurance products, NewRe also offers variable annuity reinsurance. Variable annuities are unit-linked products that include financial market guarantees on the underlying funds. Although the risks arising from the guarantees are hedged with financial market instruments, mismatch losses may occur. Losses may also arise as a result of unexpected mortality or policyholder behaviour (e.g. lapses). An overall loss distribution for MRT business is determined and then integrated into the overall model architecture.

NewRe's MRT risk remained broadly constant in 2023, with the risk from new transactions offsetting run-off and exposure updates on the in force portfolio.

b) Market risk

Market risk is the risk of losses resulting, for example, from changes in interest rates, exchange rates, credit spreads or share prices. Interest-rate risk is the risk of losses due to changes in interest rates if an insurance company has a duration mismatch in its assets and liabilities. Exchange rate risks arise, for example, when an insurance company's liabilities are denominated in a particular currency but the assets held to cover them are denominated in a different currency. Market risk generally affects the assets and liabilities side of the balance sheet, the latter either through discounting or through benefits that depend on the performance of the capital markets.

NewRe pursues a strict asset-liability management approach and invests mainly in fixed-interest government and corporate bonds. Suitable limit and early warning systems are used to manage market risks. Market risk is measured using the FINMA standard market risk model.

Market risk increased significantly during 2023, driven by the inclusion of a large, long-duration Life transaction in the US, which increased the foreign exchange and interest rate risk. While foreign exchange risk remains the largest driver within market risk, interest rate risk is now almost as large.

c) Credit risk

Credit risk refers to losses due to ratings downgrades. This includes defaults that may result from a credit migration event. Changes in market values within a specific rating class (e.g. as a result of a credit spread widening) are covered in the market risk module of the risk capital model.

NewRe’s primary sources of credit risk are to the expected future profits from Life reinsurance business recognised in the SST Risk Bearing Capital. NewRe also has credit risk on its deposits with cedants and more traditional exposure from its securities investments.

The risk increased significantly in 2023 due to a number of large transactions in the US.

d) Market value margin (MVM)

The market value margin (MVM) is the cost of capital for the risk-bearing capital that is to be provided for the duration of the settlement of the insurance obligations. As such, it is the present value of the future one-year capital requirements in a run-off scenario, valued at a cost of capital rate of 6%. Here, run-off means that only future non-hedgeable risks are considered as it is assumed that a potential buyer will restructure the portfolio to such an extent that the hedgeable risks disappear.

Calculating the MVM requires the overall risk capital in a run-off scenario to be disaggregated into the additive contributions of the individual lines of business (LoB). The breakdown of the overall risk capital to the LoB level allows the varying durations of the insurance obligations to be taken into account. As a method for disaggregation, NewRe chooses the contribution method. It is further assumed that the individual risk contributions develop over time according to suitable proxy variables. The increase in the market value margin compared with the previous year is in line with the business growth.

e) Concentration risks

Concentration risk refers to the potential losses that could occur due to a significant portion of the Company’s portfolio being concentrated in a particular area or with only a few cedants. Risk concentrations can arise on the assets or liabilities side of the balance sheet through a combination of similar exposures.

NewRe’s approach to assessing concentration risk is to limit the net exposure to individual events for a given return period.

The most important risk concentration within Property & Casualty is natural catastrophe risk, which is modelled using a range of different scenarios. The two largest concentrations are for Storm Europe and Earthquake Switzerland/Germany. Exposure to both perils remained broadly constant compared to 2022.

The table below shows the estimated exposures for the peak scenarios.

Top accumulation scenarios – 1-in-1000 year event (in EUR m)	2022	2023
Storm Europe	930	860
Earthquake Switzerland/Germany	691	752
Flood Germany	469	455
Earthquake Türkiye	215	286
Terror France	235	240

A concentration risk within Life is lethal pandemic. However, NewRe's exposure to this risk net of retrocession remained at relatively low levels during 2023.

Within market risk, there is some concentration on foreign exchange risk, particularly in USD exposures. NewRe conducts global reinsurance activities and follows an investment strategy including some exposures in emerging markets. Its market risk profile is therefore characterised by asset-liability mismatches in a broad range of currencies.

f) Risk mitigations

NewRe relies on retrocession to reduce risks in the areas of P&C reinsurance as well as Life and Health reinsurance. The counterparties are almost exclusively companies within the Group. Retrocession programmes are structured to transfer excess Life, P&C or natural catastrophe risks and increase capital efficiency.

The current Life retrocession programmes are structured to transfer both the losses from mortality shocks and the risk from future mortality deterioration (mortality trend risk).

On the Non-life side, retrocession agreements exist with Munich Re for a very significant US Non-life transaction. These agreements include both a loss portfolio transfer for the run-off part of the transaction and stop-loss agreements for the new business parts. In addition, there is a CatXL retrocession agreement with Munich Re for all major perils, as the accumulation risk is considerable as described above.

Hedging is used to reduce the risk from derivative business and financial market guarantees. Market and credit risks are mitigated by a liability-driven investment strategy and by clearly defined investment guidelines.

The main tool for monitoring the ongoing effectiveness of risk mitigation measures is the risk limit system. This system measures the risks at various safety levels, defines the acceptable risk levels and determines the frequency of monitoring and reporting. A referral process is in place to avoid risks that are not within NewRe's risk appetite and to assess the risks associated with significant new transactions. As part of this process, an interdisciplinary group of experts assesses large or novel risks before they are underwritten.

g) Operational risk

An operational risk is the risk of losses arising from inadequate or failed internal processes, personnel or systems, or from external events. It includes legal and compliance risks, but excludes strategic risk.

Operational risks are managed through the internal control system (ICS), see Chapter C.

h) Other important risks

Reputational risk
Reputational risk is defined as the potential financial loss or loss of market share resulting from damage to the reputation of NewRe or, indirectly, the reputation of the Group. Monitoring and limiting reputational risk is a key component of operational risk management as part of the internal control system, see Chapter C. NewRe’s whistle-blower portal also contributes to risk mitigation of reputational risk.

Strategic risk
Strategic risk is defined as the risk of making the wrong business decisions, implementing decisions poorly or not being able to adapt to changes in the operating environment. Changes in the market or regulatory environment and other developments and their potential impact on NewRe's strategy are assessed annually. Strategic risk management involves the identification of key risk drivers, followed by an impact assessment, the definition of risk mitigation measures and the evaluation of NewRe's readiness to respond should the risks materialise.

Liquidity risk
The aim of liquidity risk management is to ensure that NewRe can meet its payment obligations at all times. NewRe does this by categorising its funds according to their availability and by segregating those that are encumbered. Liquidity risk is assessed under a severe stress scenario with the simultaneous occurrence of investment losses, natural disasters and reserve strengthening. In addition, the impact of a significant downgrade of NewRe on liquidity is also analysed. NewRe’s liquidity risk is managed in accordance with regulatory requirements.

E. Valuation

in EUR m		2022	Adjustments prev. period	2023
Market conform value of investments	Real estate	20		21
	Participations			
	Fixed-income securities	1,174		1,555
	Loans			
	Mortgages			
	Equities	67		64
	Other investments	1,876		1,799
	Collective investment schemes	1,876		1,781
	Alternative investments			18
	Structured products			
	Other investments			
	Total investments	3,136		3,439
Market conform value of other assets	Financial investments from unit-linked life insurance			
	Receivables from derivative financial instruments	1,456		1,285
	Deposits made under assumed reinsurance contracts	13,501		11,993
	Cash and cash equivalents	623		322
	Reinsurers' share of best estimate of provisions for insurance liabilities	281		800
	Direct insurance: life insurance business (excl. unit linked)	37		46
	Reinsurance: life insurance business (excl. unit linked)			
	Direct insurance: non-life insurance business	244		754
	Direct insurance: health insurance business			
	Reinsurance: non-life insurance business			
	Reinsurance: health insurance business			
	Direct insurance: other business			
	Reinsurance: other business			
	Direct insurance: unit-linked life insurance business			
	Reinsurance: unit-linked life insurance business			
	Fixed assets	96		102
	Deferred acquisition costs			
	Intangible assets			
	Receivables from insurance business	326		885
	Other receivables	1,790		2,116
	Other assets			
	Unpaid share capital			
	Accrued assets			
	Total other assets	18,073		17,504
Total market conform value of assets		**21,209**		**20,943**

Market conform value of liabilities (including unit linked life insurance)	Best estimate of provisions for insurance liabilities	13,023		9,579
	Direct insurance: life insurance business (excl. unit linked)			
	Reinsurance: life insurance business (excl. unit linked)	9,706		6,323
	Direct insurance: non-life insurance business			
	Direct insurance: health insurance business			

	Reinsurance: non-life insurance business	3,317		3,254
	Reinsurance: health insurance business	1		1
	Direct insurance: other business			
	Reinsurance: other business			
	Best estimate of provisions for unit-linked life insurance liabilities			
	Direct insurance: unit-linked life insurance business			
	Reinsurance: unit-linked life insurance business			
	Market value margin		419	728
Market conform value of other liabilities	Non-technical provisions	55		62
	Interest-bearing liabilities	148		380
	Liabilities from derivative financial instruments	3,067		2,766
	Deposits retained on ceded reinsurance	230		1,620
	Liabilities from insurance business	987		1,009
	Other liabilities	563		606
	Accrued liabilities			
	Subordinated debts			
Total market conform value of liabilities		**18,073**		**16,751**
Market conform value of assets minus market conform value of liabilities		**3,136**		**4,193**

The increase in the difference between the market conform value of assets minus market conform value of liabilities between 2022 and 2023 is mainly due to new Life transactions underwritten in 2023, which contain significant embedded profits. In contrast to statutory accounting, these embedded profits are fully recognised in the SST balance sheet and therefore reduce the economic liabilities accordingly.

Comparison of SST balance sheet with Swiss statutory accounts

The comparison of the SST balance sheet with the audited statutory financial statement figures provides information on the most important valuation differences between the economic valuation and the local statutory valuation. Explanations of selected positions and valuation differences can be found below.

Note	Assets (in EUR m)	Statutory	SST
1	Real estate	9	21
2	Fixed-income securities	1,570	1,555
	Equities	55	64
	Other investments	1,583	1,799
3	Receivables from derivative financial instruments	1,285	1,285
4	Deposits retained on assumed reinsurance business	11,993	11,993
	Cash and cash equivalent	322	322
5	Underwriting provisions ceded	960	800
6	Other assets (tangibles)	31	102
7	Deferred acquisition costs	2,031	0
8	Accounts receivable from reinsurance business	885	885
9	Other accounts receivable	2,116	2,116
	Total assets	**22,842**	**20,943**

1) This position includes the part of NewRe's office building that is leased to third parties. Under statutory accounts, real estate is carried at amortised cost. Under SST, the market value equals the most recent appraisal value.

2) The 'Fixed-income securities' and 'Equities' items listed in the table above are those that NewRe directly manages. The 'Other investments' item comprises collective investment schemes in special funds which are 100% owned. Under Swiss statutory accounting, fixed-income securities are valued at amortised cost less required impairments. Equities and other investments are valued at the lower of cost or market value. Under SST, the valuation of these instruments is mark-to-market, based on quoted prices in active markets or observable inputs.

3) This item relates to the receivable from a counterparty in a derivative contract. A receivable is considered an asset because it represents a future cash inflow.

4) Deposits retained on assumed reinsurance business (or funds held by ceding companies) are receivables from cedants for cash deposits that have been retained under the terms of reinsurance contracts. The deposits are recognised in both regimes at the nominal value of the outstanding amount. This amount is derived from the value of the corresponding technical provisions for the reinsured business.

5) Underwriting provisions ceded correspond to the retroceded portion of the technical provisions. The valuation differences between statutory and economic accounting (SST) are explained below under 'Technical provisions'.

6) The 'Other assets' item refers to the own-occupied part of NewRe's office building. The same valuation principles apply as for real estate (see above).

7) Deferred acquisition costs mainly result from financing transactions in the Life segment. In statutory accounting, acquisition costs are capitalised and amortised over the term of the contract in proportion to the premium income. In the SST, the acquisition costs may instead have a direct impact on the income statement when the contract is concluded. The expected future cash flows as a result of the repayment of the financing amount by the cedant are taken into account in the best estimate liabilities. For this reason, the deferred acquisition costs on the assets side of the SST balance sheet must be set to zero.

8) The position 'Accounts receivable from reinsurance business' represents receivables in respect of brokers, insurance and reinsurance companies, whereby the statutory value and the economic value are the same.

9) The 'Other accounts receivable' item mainly consists of cash collateral in relation to derivatives for hedging variable annuity business. The market-consistent or economic value corresponds to the statutory value.

Note	Liabilities (in EUR m)	Statutory	SST
1	Technical provisions	15,266	9,579
2	Non-technical provisions	168	62
3	Interest-bearing liabilities	382	380
4	Liabilities due to derivative financial instruments	2,766	2,766
5	Deposits retained on ceded business	1,620	1,620

Note	Liabilities (in EUR m)	Statutory	SST
6	Accounts payable on reinsurance business	1,009	1,009
7	Other liabilities	606	606
8	Market Value Margin		728
	Total liabilities	21,818	16,751

1) Statutory technical provisions are formed in accordance with the principle of prudence. This means, for example, that Non-life liabilities are not discounted or that biometric assumptions such as mortality or disability rates contain safety margins when determining the provisions in the Life segment. The principle of prudence also requires that the future policy reserves (FPR) for Life business – also known as provisions for future policy benefits – are set to zero where they represent an asset, i.e. in case the present value of future cash inflows exceeds the present value of future cash outflows. An exception to this are financing contracts for which an asset for deferred acquisition costs (DAC) is built and amortised over the duration of the insurance contract. In addition to the FPR mentioned, statutory technical provisions typically also include reserves for claims incurred but not yet reported (IBNR), reserves for current claims payments (in course of settlement – ICOS), a reserve for unearned premiums (UPR) and a reserve for profit commission. Finally, the technical provisions also include fluctuation reserves in order to smooth the annual results if necessary.

In the economic view, this principle of prudence does not exist. The biometric assumptions do not include implicit or explicit safety margins, nor would future Life reinsurance profits resulting from the excess of the present value of future income over the present value of future benefits be set to zero. Instead, these profits would be fully recognised. As far as Non-life technical provisions are concerned, these are discounted using the risk-free interest rate curve, which results in a valuation reserve compared to the statutory technical provisions. Finally, there are no fluctuation reserves under the SST.

2) The item ‘Non-technical provisions’ includes a fluctuation reserve for weather derivatives business. Under SST, this fluctuation reserve is considered as risk-bearing and therefore set to zero. The remaining amount relates to a provision for profit tax.

3) Under statutory accounting, loans are valued at nominal value plus accrued interest. Under SST, loans are valued on a market-consistent basis in which the future cashflows are discounted using the risk-free interest rate curve.

4) Liabilities due to derivative financial instruments represent the liabilities arising from hedging transactions, Weather derivatives and variable annuity business, the latter also referred to as market risk transfer (MRT) business. MRT business is valued on the basis of sound probabilistic models for both accounting regimes (statutory and economic). The statutory and economic MRT values include the same margin reserve to cover the non-hedgeable risks, which is why the economic value equals the statutory value. The margin reserve is set in such a way that no profit is made at inception, and is released over time.

5) The item ‘Deposits retained on ceded business’ represents the amounts owed by NewRe for retrocession agreements in the amount of the guarantees retained. The economic value corresponds to the statutory value.

6) Accounts payable on reinsurance business represents payables in respect of brokers, insurance and reinsurance companies. As with the accounts receivable, there are no valuation differences for payables.

7) The ‘Other liabilities’ item includes the cash collateral and margin requirements from bank counterparties in relation to MRT derivatives business.

8) With the revised Insurance Supervision Ordinance that came into force on 01.01.2024, the Market Value Margin has become part of the economic liabilities.

Risk-bearing capital

The risk-bearing capital (RBC) is the difference between the market conform value of the assets and the market conform value of the liabilities after deduction of the expected dividend. Consistent with this definition, the risk-bearing capital can also be derived from the statutory equity by making the following adjustments to the assets and the liabilities:

Derivation of the RBC (in EUR m)	**2022**	**2023**
Statutory shareholder equity	825	1,023
Adjustment to the statutory assets	-1,170	-1’898
Unrealised gains on assets	*156*	*293*
Valuation difference retrocession	*-193*	*-160*
Deferred acquisition cost	*-1,133*	*-2,031*
Adjustments to the statutory liabilities	-3,059	-4,958
Fluctuation reserves	*-402*	*-442*
Valuation difference Non-life liabilities	*-242*	*-342*
Valuation difference Life liabilities	*-2,841*	*-5,009*
Valuation difference interest bearing liabilities	*4*	*-2*
Market Value Margin	*419*	*728*
Expected dividend	-170	
Risk-bearing capital	**2,546**	**4,193**

The items in the above table, with the exception of expected dividend payments, correspond to the market conform value of the assets less the market conform value of the liabilities, which is why the risk-bearing capital can also be presented as follows:

Market-consistent balance sheet and RBC (in EUR m)	**2022**	**2023**
Market conform value of assets minus market conform value of liabilities	2,717	4,193
Expected dividend	-170	-
Risk-bearing capital	**2,546**	**4,193**

F. Capital management

Goals, strategy and time horizon

With regard to statutory equity capital, the goal of NewRe's capital planning is to maintain stable and solid capitalisation. In the event that growth is above expectation further capital injections from our shareholder are possible.
The statutory equity is deemed sufficient for the current portfolio.
The local GAAP annual result for 2023 was negative. Hence, NewRe intends not to pay a dividend.
To be able to absorb the inherent volatility of the business, NewRe aims for a diversified business mix and has built a buffer of both free reserves and legal reserves, as well as equalisation reserves in the technical and non-technical provisions.
Our strategy foresees steady growth for all strategic pillars and an increase in earnings from all business segments as well as continuously growing dividends for our shareholder. This strategy is based on continued strong development of our Life portfolio, further growth and diversification of our Weather book, and stable to slightly increasing Non-life business across Europe.

Equity reported in the Annual Report

	in TEUR		in TCHF	
	2023	**2022**	**2023**	**2022**
Share capital	234'000	240'396	217'550	260'000
Capital Contribution reserve	583'712	0	542'677	0
Legal reserves from capital	113	113	105	123
Legal reserves from profit	120'084	120'084	111'642	129'877
Free reserves	270'686	294'593	251'656	318'532
Conversion difference	0	0	0	-64'560
Profit for the year	-185'302	170'305	-172'275	171'160
Total equity	**1'023'293**	**825'492**	**951'356**	**815'132**

In 2023, NewRe received a capital injection from Munich Reinsurance Company to finance large Life transactions amounting to EUR 553.4m. This amount adds to the EUR 30.3m of capital contribution reserves resulting from the currency conversion of our share capital from CHF to Euro. The total capital contribution reserves amount to EUR 583.7m. The currency conversion has no overall effect on equity as there are offsetting effects on share capital and free reserves.

NewRe considers the quality of the statutory equity to be high. The accounting and valuation principles for assets and liabilities are set out in the notes to the financial statements, and NewRe is of the opinion that all valuations are prudent.
NewRe does not have a stand-alone rating from rating agencies. It is regarded as a core strategic company of Munich Re and is therefore granted the Munich Re Group rating.

G. Solvency

a) Risk model

NewRe offers both traditional reinsurance and customised reinsurance solutions. In addition, NewRe's portfolio includes insurance risks in derivative form, whether in the form of weather derivatives or financial market guarantees for variable annuity products. NewRe uses internal models to adequately reflect the complexity of its risk profile and, in particular, to measure risks that go beyond traditional reinsurance. NewRe has unrestricted FINMA approval for all these modules. For market risk only, NewRe uses FINMA's standard market risk model.

The following provides an overview of the components of NewRe's risk model and their characteristics. First, the most important differences to the standard model are shown, see the table below.

Risk module	**NewRe's risk model**	**Standard SST model**
Property & Casualty	Stochastic models for basic losses, large losses, weather derivatives, structured solutions business	Stochastic model for attritional events and individual events
Accumulation	Stochastic frequency-severity model for natural catastrophes and other accumulations (e.g. cyber, terror)	Natural perils as defined by the Swiss Natural Peril Pool are modelled within the Non-life standard model
Life & Health	Stochastic model for key risk drivers such as pandemic or mortality trend	Standard stress tests on key cash flow projection assumptions
Market risk transfer (MRT)	Stochastic model for residual risks (after hedging), including their aggregation	No specific module for variable annuity business
Credit	Merton-based stochastic model with multiple systematic variables	Combination of • Merton-based stochastic model with one systematic variable and • Basel III standard approach
Aggregation	Gumbel copula to reflect tail dependencies	Gaussian copula between insurance risk and market risk, simple addition of credit risk

Market risk is not listed in the above table as NewRe uses FINMA's standard model to measure it. FINMA's standard market risk model is based on a multivariate Gaussian distribution for standardised risk factors.

Property & Casualty
NewRe's Property & Casualty (P&C) insurance business is modelled using the following four modules: Basic losses, Large losses, Structured solutions business and Weather derivatives. A single contract can have risk components in several of these modules.

Basic losses: Basic losses from P&C include premium and reserve risk. Premium risk is the risk that claims payments for losses that have not yet occurred will be higher than expected. The reserve risk, on the other hand, is the risk of the technical provisions set up for losses already incurred not being sufficient. The quantification of these risks is based on analytical methods using standard reserving procedures. The models are calibrated on the basis of NewRe's own historical loss and run-off data, thereby separating the portfolio into homogeneous classes. Aggregation at portfolio level is based on dependency assumptions calibrated to NewRe's own loss experience.

Large losses: Large individual losses are modelled using a collective risk model. The parameters for each large loss segment are calibrated based on historical loss experience, taking into account the current portfolio characteristics.

Structured solutions business: In the structured solutions segment, the most significant contracts are modelled individually and then aggregated using an appropriate dependency structure between the contracts. The calibration of the individual loss distributions is based on both the historical loss experience of the cedants and the current contract terms and conditions.

Weather derivatives: To quantify the risks inherent in Weather derivatives, risk factors such as precipitation or temperature are modelled and calibrated against historical data. These historical data are adjusted for macro and micro trends in recent decades.

Accumulation

To manage the risk from natural and man-made catastrophes, including terrorism and cyber, NewRe controls its exposure by setting limits and budgets. For natural catastrophe events, NewRe's experts develop scenarios that take into account scientific data, probabilities of occurrence and potential loss amounts. Based on these scenarios, the impacts of various events on the portfolio are calculated and fed into a stochastic model. This model, which was developed by the Munich Re Group, is supplemented by commercial natural catastrophe models. Together, these models serve as the basis for calculating the capital requirement for accumulation risks.

P&C and accumulation risk (in EUR m)	**2022**	**2023**
Basic losses	307	342
Large losses	135	191
Structured solutions business	187	271
Weather derivatives	206	191
Diversification	-431	-520
P&C risk	404	475
Accumulation	737	747
Diversification and other benefits	-354	-411
P&C and accumulation risk	**787**	**811**

The basic loss risk increased slightly compared to the previous year, mainly driven by a higher correlation between the basic loss segments.

The large loss risk has increased as a result of updating the calibration data and a more precise allocation of exposures, particularly in the areas of fire/property and motor business.

The risk inherent in structured solutions business (SSB) increased mainly due to the updated exposure in a renewed large US transaction.

Weather derivatives risk has remained fairly stable compared to the previous year.

Finally, the small increase in accumulation or natural catastrophe risk is due to the solid 1/1 renewal offset by the updated CatXL retrocession agreement with Munich Re for all major perils. As in the previous year, the accumulation risk is dominated by NewRe's two top scenarios, Storm Europe and Earthquake Switzerland/Germany.

Life and MRT

NewRe's Life & Health or Life portfolio contains a wide range of products, including traditional proportional mortality reinsurance, bespoke structured solutions and market risk transfer (MRT) business. Risks in this diverse portfolio are modelled using a flexible, customised approach based on Munich Re's sophisticated internal risk model. The key risks from each product line are carefully modelled using stochastic simulations to include all relevant risks, with particular emphasis on pandemic, mortality trend and lapse risks. These are then aggregated using appropriate dependency structures to obtain the overall loss distribution.

The stand-alone capital requirements for the key Life underwriting risk drivers, together with the capital requirement for MRT business, are shown in the following table.

Life and MRT risk (in EUR m)	**2022**	**2023**
Mortality	441	712
Morbidity	8	15
Longevity	8	7
Financing	96	90
Mass lapse	171	236
Non-proportional	164	182
Diversification	-287	-366
Life risk	601	876
Market risk transfer (MRT)	133	137
Diversification and other benefits	-70	-97
Life and MRT risk	**663**	**916**

NewRe's Life and MRT risk increased significantly in 2023 mainly due to a new large mortality transaction in the US. Further increases were seen from new mass lapse and US non-proportional transactions.

Market

Market risks are modelled using FINMA's standard market risk model. Where possible, the most important balance sheet items are exactly revalued at the one-year horizon. This includes, for example, fixed-income instruments. Only where this is not possible, as is the case for derivatives, for example, are the remaining balance sheet items revalued using a "delta approach", i.e. with a linear approximation of the valuation function.

The market risk standard model further assumes that changes in risk factors have a multivariate normal distribution. Together with the valuation functions, this allows the distribution of the change in risk-bearing capital over the one-year horizon to be derived, on the basis of which the market risk can be determined.

The stand-alone market risk broken down by main risk drivers is as follows:

Market risk (in EUR m)	**2022**	**2023**
Equity	3	0
Interest rate	154	440
Spread	113	121
Real estate	9	9
Foreign exchange	359	528
Diversification	-317	-494
Market risk	**321**	**604**

Market risk increased significantly during 2023, mainly driven by the inclusion of a very large, long-duration Life transaction in the US. The future profits embedded in this contract increased the foreign exchange risk and the interest rate risk. The increase in foreign exchange risk was partially offset by the introduction of a USD-EUR currency hedge. While foreign exchange risk remains the largest driver within market risk, interest rate risk is now almost as large. Spread and real estate risk remain stable.

Credit

NewRe's credit risk is determined on the basis of Merton's portfolio model, which is calibrated over at least one full credit cycle and takes account of both changes in fair value caused by rating migrations and debtor default. The credit risk arising from investments (such as government bonds), as well as deposits with ceding companies and funds-withheld accounts is calculated by individual debtor. A number of Life transactions provide the cedant with an up-front financing amount which is repaid over time. The credit risk from these transactions is allowed for, as is the potential loss of expected future profits (present value of future profits; PVFP) from existing reinsurance transactions.

The stand-alone capital requirements for credit risk are as follows:

Credit risk (in EUR m)	**2022**	**2023**
Life PVFP & Financing	228	332
Receivables and deposits	225	157
Investments	84	83
Weather derivatives	20	11
Diversification	-106	-82
Credit risk	**450**	**501**

The largest credit risk components are in relation to Life business from both the risk of a loss in future profits and a potential loss of deposits held by cedants on a funds-withheld basis. The remaining credit risk arises from the assets in the investment portfolio and, to a much lesser extent, from the counterparties to Weather derivative transactions.

Aggregation
The loss distributions of the various modules are aggregated using a Gumbel copula in order to take appropriate tail-dependency into account. The copula parameters are derived by assessing the impact of remote balance sheet scenarios on the risk-bearing capital.

b) Solvency ratio

With a risk-bearing capital of EUR 4,193 m and a target capital of EUR 1,802 m as at 1 January 2024, NewRe's solvency position is very solid with a solvency ratio of 233%.

NewRe is in a position to comfortably meet all of its contractual obligations.

Financial situation report: Quantitative template “Solvency Solo”
in EUR m

Derivation of RBC	**2022**	**Adjustments previous period**	**2023**
Market conform value of assets minus market conform value of liabilities	2,717		4,193
Deductions	-170		0
Tier 1 risk-absorbing capital instruments (RAC) counted towards core capital			
Core capital	**2,546**		**4,193**
Supplementary capital	0		0
RBC	**2,546**		**4,193**
Derivation of target capital			
Underwriting risk	1,450		1,727
Market risk	321		604
Diversification effects	-763		-944
Credit risk	450		501
Market value margin and other effects on target capital	-58	419	-85
Target capital	**1,400**		**1,802**
SST ratio	**182%**		**233%**

With the revised Insurance Supervision Ordinance that came into force on 1 January 2024, the market value margin represents a liability in the SST balance sheet. For this reason, only the amount of ‘Other effects on target capital’ is now shown under the position ‘Market value margin and other effects on target capital’ in column ‘2023’. In the case of NewRe, ‘Other effects’ corresponds to the expected income. The value of EUR 419 m in column ‘Adjustments previous period’ corresponds to the market value margin of the previous year’s calculations.

The figures reported in this document correspond to the official SST calculation performed as at 1 January 2024. The SST calculation is submitted to FINMA at the same time as this report is published, 30 April 2024, and is subject to their supervisory review.

Sign-off by the executive body

The Board of Directors of NewRe has overall management responsibility for the Company. At its meeting on 23 April 2024, the Board of Directors of NewRe approved this 2023 Financial Condition Report.

New Reinsurance Company Ltd.
Zollikerstrasse 226
CH-8008 Zurich

Phone +41 (0)58 226 65 00
www.newre.com
A Munich Re company